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Never, Never be the Lowest Bidder!

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A hard-hitting but realistic view of price-cutting - meant to encourage business people not to allow devaluation of their business knowledge and experience. Discounting is a loser's game, especially in the industrial automation business, which has a high level of applications knowledge and specialization.

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When business is tough, some people feel that price-cutting may be the best way to generate business. But, that is a loser's game, especially in the industrial automation business, which has a high level of applications knowledge and specialization.



When identical products are available from several sources – like soybeans and pork and scrap-iron – they are "commodities". For these things, as well as for some commonly used items in industrial controls, it sometimes seems like discounting is a way of life. And the lowest bidder wins. Or loses?

Products and equipment are "differentiated" by the FABS (features, advantages, and benefits) that competitors cannot offer. When a product becomes a commodity (no special FABS) the differentiation that remains is quality, delivery and price. And losers, or lazy salespeople, fall back all too quickly on price as the determining factor that wins a purchase order. Or, they respond with FUDS (fear, uncertainty and doubt), which is negative selling and should be avoided.

Quality is a tough-sell – everyone says they have it. The savvy customer will review whether or not prospective suppliers operate an ISO 9000 program, or have a good track record from past shipment. A demonstrable reputation for good quality is indeed a differentiator and that value should be reflected in pricing.

Delivery implies availability within a specified time to satisfy the customer's need. Commodities tend to be offered "from stock"; but suppliers should recognize that there is a carrying-cost involved, which must be factored into the price.

It finally comes down to price. There is an ice-cream store near my home (39 flavors, I think) that has a sign: "Somewhere else, you can find cheaper ice-cream; if you need cheap ice-cream, go there". And, even though many people might think ice cream is a "commodity" that is not evident from the success of

Ben & Jerry's, or Häagen-Dazs.

The industrial automation business is extremely broad-based, with a tremendous range of applications, equipment, environments and special requirements. Product and equipment applications knowledge has significant value and should not be discounted. Above all, sales people should strive never to be the lowest bidder. Often, that raises doubts, rather than success.

One would think that pride would involve offering the highest value at a reasonable cost. It is curious that some people boast about their products being the lowest cost. When buying food, do they buy the cheapest? When hiring people, do they hire the lowest paid? If they do, then good customers might choose not to do business with them.

I'm sure you've heard the story of the engineering consultant who was called to repair a machine that had stopped the factory and tightened a single screw within about 5 minutes to re-start the whole place. When the bill was received for \$ 2,000 the customer was outraged - "You spent just 5 minutes here, and we have received a bill for \$ 2,000!" The consultant smiled, "The tightening of the screw was free. \$ 2,000 was for knowing which screw to tighten!"

Always remember - you are selling value: your knowledge, your experience in the business, your understanding of the problems that are involved, your ability to solve the problems that will inevitably come up, your availability to help the customer when needed.

When you have quoted your best price, if the customer says that it is expensive, don't make excuses. Your immediate response should be, "Yes, but it is the best! And you get my involvement when you buy my product."

As an instrumentation professional, always strive to provide the most value – the best specifications, the best performance, the best quality and reliability, the best delivery, the best applications assistance, the best after-sales support, the best looking product literature, the most helpful documentation. And, do that at a price that is the best value for the Customer – and for yourself!

The next time someone demands a discount, don't discount yourself! Ask yourself whether you should really be doing business with that person, or that company.

Never, never be the lowest bidder!